

Save the Dream Re-Finance Program - Frequently Asked Questions (6-19-08):

These are some of the most frequently submitted questions from our lenders on the Save the Dream Re-Finance Program. If you have a question that is not answered here, please feel free to contact our staff at 517-373-6840.

Q: "We are taking several calls a day on the Save the Dream product but most of the people we speak to are upside down on their home. Although many have good credit and have not yet fallen behind, the payments are strapping them. Is there anything that MSHDA is trying to come up with to help a homeowner that is underwater right now?"

A: Both of our refinance programs have a maximum Combined Loan-To-Value (CLTV) of 100%. The Assist program is a first mortgage at 97%, with a 2nd of 3%. The Rescue Refinance has a 100% Loan-To-Value (LTV) ratio. We will continue to research other options or opportunities for expanding this LTV guideline.

Q: "My biggest question with the "Rescue Refinance Program" has to do with the Governor's lack of proper communication through her television sponsorship of the product. People are meeting 3 out of the 4 major criteria.

If the amount owed is more than the value of the present home value, there are no options if the lender won't take a short payoff. The other item is, I am addressing calls from folks that are two steps away from foreclosure, presently in foreclosure, or have open collection accounts that they do not have the ability to pay off.

Upon hearing the Governor's spot, there was no clear message as to the requirements. Is there a uniform way of handling the calls? I was called an "Evil Banker" by someone that was in foreclosure and felt I was the one who was cheating her of the opportunity the "Government" was presenting!"

A: Homeowners are accessing the State's information two ways. One is the hotline number, 866-946-7432. We currently have staff devoted to answering all of these calls. They are asking very brief questions and based on where the homeowners are in their payment status, they are either referring them to an [approved counseling agency](#) or a [participating lender](#) in their community.

The second avenue is our web site, www.michigan.gov/mshda. Here they can obtain information that may be useful in directing them to available sources of assistance.

If you receive calls from homeowners that you are not able to assist, please direct them to one of our [homeownership counseling agencies](#) in their community. Our complete list of approved agencies may be found on our web site.

Q: Have we found a Mortgage Insurance (MI) company yet for the RESCUE program?

How do you look at bankruptcy? I am assuming since this is a conventional product, it would be the 4 years since discharge?

I have talked with a couple of people that foreclosure paperwork is being sent to them. As long as their score hits the 575 Fico requirement, does that matter?

A: Yes, we are partnering with MGIC for Mortgage Insurance with both of our refinance programs. Our office will underwrite the loan, and then send a copy package to MGIC for their review and issuance of an MI Certificate.

We will review bankruptcies on a case by case basis using secondary market guidelines, which is 24 months since discharge, less than 24 months if there are extenuating circumstances and the borrower has re-established credit.

Our Rescue Refinance has a score guideline of 619-575. We must meet the minimum 575 credit score. We will look at the overall credit, and determine if this refinance will put the borrowers in a better financial position giving them the ability to continue to be successful homeowners.

Q: Some Lenders are not allowing a short payoff, but are offering the difference in current value and principal balance to be re-written in a loan. Is this acceptable to MSHDA?

A: MSHDA will allow the difference to be written as a secured debt, by using another asset as collateral (IE: boat, car, etc.) If the current Lender will take the difference in an unsecured debt, that too would be acceptable to MSHDA.

Q: Would a client in Chapter 13 Bankruptcy be able to take advantage of the MSHDA Refinance program?

A: MSHDA would require the Bankruptcy Trustee to authorize the refinance and we would also require the refinance transaction to better the homeowner's financial position.

Q: Does MSHDA have the same requirements with non-borrowing spouses on this program as with their purchase program?

A: Yes, MSHDA must continue to follow the same guidelines in reference to non-purchasing co-borrowers.

Q: How should we handle properties that are identified in a "Declining Value" area?

A: MSHDA is not requiring a decrease in LTV for properties identified in a “Declining Value” market.

Q: Will MSHDA deviate from the posted ratio parameters on a borrower?

A: We will look at each case on its own merit. Will the refinance transaction allow the homeowners to be successful in maintaining their home? Will it lower their monthly expenses?

Q: Is there cash out allowed on this refinance program?

A: No. Cash out is prohibited with our refinance programs.

Q: Do you still require lenders to follow the posted allowable fee charts?

A: Yes, we still require Lenders to follow the same basic requirements on the refinance program as we do on our purchase programs.

Q: Will you allow a subordinate lien to be re-subordinated?

A: Yes, as long as the CLTV does not exceed our parameters and the existing 2nd lien holder approves.

Q: Will you allow refinances on properties that are currently listed for sale?

A: We will not allow the property to be under a current listing contract. Proof must be provided that the listing agreement has been canceled prior to loan submission to our office.